



DAWN CLARK NETSCH

Comptroller
State of Illinois

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217/782-6000

June 25, 1991

PAYROLL BULLETIN (4-91)

TO: All State Agencies, Departments, Boards, Commissions and Universities
SUBJECT: Mandatory F.I.C.A. Contributions

Beginning July 1, 1991, payments for services performed after June 30, 1991, will be, in most cases, subject to the full 7.65% FICA tax if they are not covered under a pension plan that meets a specific defined contribution rule. FICA, when used in this bulletin, means the combined total of the Social Security tax (OASDI) of 6.2% and the Medicare tax (HI) of 1.45%.

The Internal Revenue Service has determined that an employee meets this minimum benefit rule if he or she contributes at least 7.5% of his or her State compensation to a pension plan. Full-time employees who are not contributing to FICA but are members of the State Employees', Teachers', Judges, General Assembly or State Universities retirement systems meet the minimum benefit rule and would not be subject to the full FICA tax. This would not affect their contributions to the Medicare tax if they began employment after March 31, 1986, in a position not requiring the full Social Security and Medicare taxes. Full-time university students working for the university remain exempt from the taxes.

CONTRACTUAL SERVICES EMPLOYEES

Persons who are currently paid through the Comptroller's contractual payroll system on C-02 vouchers can qualify for the minimum defined contribution plan if they contribute 7.5% of their earnings to the State Employees' Deferred Compensation Plan. If these persons were required to contribute to Medicare, they will continue to do so even after they join the Deferred Compensation Plan.

INSTRUCTIONS FOR COMPLETION OF C-02 VOUCHERS

Because of federal requirements, employee contributions to the Social Security tax (OASDI) and Medicare tax must be reported separately. In order to comply with Federal requirements the following procedures must be strictly followed.

1. To report Medicare withholding, put the letter "M" in box 19 and the amount in box 20.
2. To report Social Security withholding, put the letter "S" in box 19.1 and the amount in box 20.1.
3. In box 36, place a:
 - A) 1--if only Medicare is being withheld. Medicare is withheld on the first \$125,000.00 of income.
 - B) 2--if full FICA is being withheld. Social Security is withheld on the first \$53,400.00 of income. Medicare is withheld on the first \$125,000.00 of income.
 - C) 3--if the person has reached the maximum withholding;
 - D) 4--if the C-02 represents a lottery prize; and
 - E) 5--if the employee is exempt from both the Social Security and Medicare withholding.
4. Boxes 8b and 28 must each contain the total of boxes 20 and 20.1.
5. The total gross pay, excluding any expenses reported in box 11 must be indicated in box 9 immediately above box 10. This amount must be there even if it is the same figure that will appear in box 10. See Exhibit II.

PROCEDURES FOR DEDUCTIONS FOR DEFERRED COMPENSATION

If a contractual employee exercises his or her option to enroll in the State Employees' Deferred Compensation Plan, the following procedure must be adhered to.

1. Enter the total gross compensation, excluding any expenses reported in box 11, in box 9 immediately above box 10. Enter in box 10 the compensation shown in box 9 less the amount of the deferred compensation amount.
2. Medicare and Social Security will be calculated on the amount in box 9 and federal and state income taxes will be calculated on the amount in box 10. (See Exhibits I and II.)
3. The deferred amount should be vouchered to the Deferred Compensation unit of the Department of Central Management Services. It must be vouchered on voucher form C-13 from the same account as shown on the C-02 voucher using the same obligation and number and detail object code.

Exhibit I shows a properly completed C-02 voucher for a contractual employee with deferred compensation being paid semi-monthly and subject only to the Medicare portion of the FICA tax.

Exhibit II shows a properly completed C-02 voucher when the contractual employee is contributing to full FICA because he has not enrolled in the State Employees' Deferred Compensation Plan.

Exhibit III shows a properly completed C-02 voucher when the contractual employee started employment on or before April 1, 1986 and has enrolled in the State Employees' Deferred Compensation Plan and deferring a minimum of 7.5% of his or her compensation.

TREATMENT OF FORMER RETIREMENT PARTICIPANTS

A former employee with a deferred benefit under a defined benefit retirement system from the State Employees', Teachers', Judges, General Assembly or State Universities Retirement System who is reemployed but does not resume participation in that system may, under certain circumstances, be excluded from Social Security after becoming reemployed if his or her total accrued benefit under the system meets the minimum retirement benefit requirement. These employees will have to be looked at individually in order to make a determination. If you have such an employee, please contact Dan Steven at (217) 782-4758.

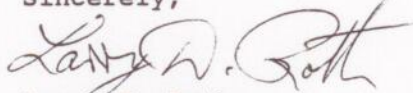
OTHER STATE EMPLOYEES

Persons eligible for 403b (Tax Sheltered Annuity) plans and not covered by a pension plan, can meet the minimum defined contribution rule if they contribute a minimum 7.5% of their compensation to the plan. If they were subject to Medicare withholding, this withholding would continue even if they join a 403b plan. Not all State employees are eligible for a 403b plan; this plan is generally restricted to persons employed in educational capacities. These persons may also enroll in the State Employees' Deferred Compensation plan in lieu of a 403b plan.

Agencies may reproduce this bulletin as needed for internal distribution purposes.

Questions regarding this bulletin should be referred to Dan Steven at (217) 782-4758.

Sincerely,



Larry D. Roth
Director - State Accounting

Contractual Service Voucher

EXHIBIT I

STATE OF ILLINOIS

Name and Location of State Agency or Institutions

Preparation instructions for this form are on the back of:

- a. Copy 6 for payee.
b. Copy 5 for State agency

1. Certification I hereby certify that I have reviewed the withholding instructions on the back of this form and that the number of federal and state exemptions claimed below does not exceed the number to which I am entitled. I further certify that I am in compliance with the provisions of the Illinois Purchasing Act prohibiting conflict of interest (Ill. Rev. Stat. 1985, ch. 127, par. 132.11-1) which is quoted in part on the back of the first copy.		2. Social Security Number 310-36-6795		3. <input type="checkbox"/> Place X in block 3 if this is your first request for payment at this address.		5. Voucher No. <u>1</u> 6. Voucher Date <u>7-18-91</u> 7. Account Code 001-36091-1200-00-00 8 a. State Cont. to Medicare Acct. # 001-36091-1170-00-00 (1175) 8 b. State Cont. to Medicare Amount \$14.50					
4. Payee Name — (Last-First-Middle) — and Address John G. Jones 123 Pleasant Street Anytown, IL 60000											
9. Give complete description of services rendered, rate of compensation, period of time covered and expenses incurred. Services rendered for the period 7-1-91 thru 7-15-91 per contract. \$1,000.00											
Taxable Income	Fed. Ex.	Federal Withholding Tax Amount	Mar. Status	State Ex.	State Tax Code	State Withholding Tax Amount	MC Code	Medicare Amount	Code	Amount	Net Earnings
10. 925.00	13. 1	14. 103.11	15. M	16. 1		18. 26.50	19. M	20. 14.50	21.	22.	23. 780.89
11. Non-Taxable Ex. 103.17		Expenses: In block 11, enter the amount of non-taxable expenses you incurred for which you are allowed reimbursement under the terms of the contractual agreement.						19.1 Ret.Cd.	20.1 Ret. Amt.		24. 103.17
12. 1,028.17		Payee Warrant _____ Treasurer State of Illinois _____ Revenue Illinois Department of _____ Social Sec Adm Fund Employee _____ Teachers' Retirement System _____						Sum of 23 and 24		25. 884.06	
Enter Sum of 10 and 11								Enter Amount From 14		26. 103.11	
								Enter Amount From 18		27. 26.50	
								Enter Amount From 20		28. 14.50	
								Enter Amount From 20.1		28.1	
Disposition of Copies 1. Comptroller 2. Agency 3. Agency 4. Remittance Copy 5. Agency 6. Retained By Payee		Frequency of Pay Enter 1-If Monthly 2-If Semi-Monthly 3-If Other 4-If Non-Resident Lottery 5-If Non-Resident Commercial 6-Weekly 7-Bi-Weekly 30. 2		Expenditure Object		Obligation Number		F	Add 25 thru 29		
				31. 1245	32. 12345678	33.	34. 1,028.17				
35. For Agency Use Only		36. Split Reporting Indicator		Certification of Receiving Agency I certify that the goods or services specified on this voucher were for the use of this agency and that the expenditure for such goods or services was authorized and lawfully incurred; that such goods or services meet all the required standards set forth in the purchase agreement or contract to which this voucher relates; and that the amount shown on this voucher is correct and approved for payment. If applicable, the reporting requirements of Section 5.1 of 'An Act to create the Bureau of the Budget and to define its powers and duties and to make an appropriation, approved April 16, 1969, as amended, have been met.							
		Date Approved for Payment									
Head of Unit or Authorized Agent		Date									
				(Date)				Agency Head (Signature)			

COPY 1

Contractual Service Voucher

EXHIBIT II

STATE OF ILLINOIS

Name and Location of State Agency or Institutions

Preparation instructions for this form are on the back of:

- a. Copy 6 for payee.
b. Copy 5 for State agency

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4. Payee Name — (Last-First-Middle) — and Address John G. Jones 123 Pleasant Street Anytown, IL 60000											
9. Give complete description of services rendered, rate of compensation, period of time covered and expenses incurred. Services rendered for the period 7-1-91 thru 7-15-91 per contract. \$1,000.00											
Taxable Income	Fed. Ex.	Federal Withholding Tax Amount	Mar. Status	State Ex.	State Tax Code	State Withholding Tax Amount	MC Code	Medicare Amount	Code	Amount	Net Earnings
10.	13.	14.	15.	16.	17.	18.	19.	20.	21.	22.	23.
1,000.00	1	114.36	M	1		28.75	M	14.50			780.39
11. Non-Taxable Ex.		Expenses: In block 11, enter the amount of non-taxable expenses you incurred for which you are allowed reimbursement under the terms of the contractual agreement.						19.1 Ret. Cd.	20.1 Ret. Amt.		24.
103.17								S	62.00		Enter Amount From Block 11 103.17
12.		Payee Warrant _____ Treasurer State of Illinois _____ Revenue Illinois Department of _____ Social Sec Adm Fund Employee _____ Teachers' Retirement System _____						Sum of 23 and 24		25.	
1,103.17								Enter Amount From 14		26.	
Enter Sum of 10 and 11								Enter Amount From 18		27.	
								Enter Amount From 20		28.	
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				Enter Amount From 22		29					
				Expenditure Object		Obligation Number	F	Add 25 thru 29			
				31.		32.	33.	34.			
2		1245		12345678		1,103.17					
35. For Agency Use Only		36. Split Reporting Indicator		Certification of Receiving Agency I certify that the goods or services specified on this voucher were for the use of this agency and that the expenditure for such goods or services was authorized and lawfully incurred; that such goods or services meet all the required standards set forth in the purchase agreement or contract to which this voucher relates; and that the amount shown on this voucher is correct and approved for payment. If applicable, the reporting requirements of Section 5.1 of 'An Act to create the Bureau of the Budget and to define its powers and duties and to make an appropriation, approved April 16, 1969, as amended, have been met.							
Date Approved for Payment		2		(Date) Agency Head (Signature)							
Head of Unit or Authorized Agent		Date									

COPY 1

Contractual Service Voucher

EXHIBIT III

STATE OF ILLINOIS

Name and Location of State Agency or Institutions

Preparation instructions for this form are on the back of:
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 b. Copy 5 for State agency

1. Certification I hereby certify that I have reviewed the withholding instructions on the back of this form and that the number of federal and state exemptions claimed below does not exceed the number to which I am entitled. I further certify that I am in compliance with the provisions of the Illinois Purchasing Act prohibiting conflict of interest (Ill. Rev. Stat. 1985, ch. 127, par. 132.11-1) which is quoted in part on the back of the first copy.	2. Social Security Number <div style="text-align: center; font-size: 1.2em;">310-36-6795</div>	3. <input type="checkbox"/> Place X in block 3 if this is your first request for payment at this address.	5. Voucher No. <u>1</u> 6. Voucher Date <u>7-18-91</u> 7. Account Code <u>001-36091-1200-00-00</u> 8 a. State Cont. to Medicare Acct. # <hr/> 8 b. State Cont. to Medicare Amount <hr/>																																				
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